THE RELATION OF THE PROTECTIVE TARIFF TO THE TRUSTS.

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The problem proposed for discussion this afternoon has been treated from a practical standpoint by those whose papers have preceded mine. Several questions arise, to any of which we might address ourselves. How far, if at all, are Trusts created by Tariff privileges? What advantages can and does the Tariff confer upon Trusts? What additional power, adverse to the general interests of the community, may Trusts derive from Tariff arrangements? How far can we expect that adjustments of the Tariff may be made to restrain action on the part of Trusts which is to the disadvantage of the public? On such questions as these a hasty judgment may easily be erroneous, and the interpretation of apparent facts needs the assistance of economic analysis. Such a gathering as the present may not improperly be invited to consider some of the simpler methods of analyzing the problem presented to us. Let us attempt to review the situation in the dry light of reason before proceeding to illustrations, of the conclusions suggested, afforded in the operations of actual Trusts.

It will be taken for granted that by the term Trust we are to understand an industrial or commercial organization which aims to control the manufacture or sale of some commodity or commodities by uniting the interests of a more or less numerous group of producers or merchants, previously independent, and either making or selling the same product or engaged in different stages

of the preparation of one and the same product for the market.

First consider the case of the union of establishments whose industrial operations are roughly parallel to one another. The merger of several such establishments in one organization aims at one or both of two sources of advantage, viz., the economies of large-scale operations in comparison with small establishments, and the more or less complete control of the supply of the commodity handled, with a view to attaining the advantages of monopoly.

If the processes of manufacture in the case in question be such that an increase of the scale of operations enables the quantity of product to be increased in a larger proportion than the expenses of production, it is a familiar argument that the larger business is enabled, by reason of its larger size, to undersell the smaller, and the smaller businesses can only maintain themselves by either accepting lower profits or depending on some special advantage, in respect of materials or of process, not enjoyed by the larger rival. In the absence of such advantages, the smaller businesses may be undersold and compelled by the resultant losses to give up the struggle, after a fight more or less prolonged. If two or more rivals push ahead at a rate sufficiently near to equality to attain about equal advantages from operation on an ever-increasing scale, their efforts to market the whole of their output may involve such competition in prices, or in selling expenses, as to deprive them of any financial advantage from their enlarged operations. So long as there is assumed a decrease of expenses per unit of output with each stage of advance in output, each producer may be induced to try to avoid loss by continually expanding production, and, in the course of time, under these conditions,

production will increase so much as to outrun demand at remunerative prices. This I take to be the kind of mutually destructive competition to which reference is so generally made in setting forth the causes of the consolidations which have been so frequent of late years. But it is well to observe that, to grant this as the real explanation, implies the assumption that, within the limits of expansion of the rivals as separate organizations, a relative decrease of expenses is found by each of them to accompany an increasing scale of operations. Now many writers, while readily admitting the operation of this principle in actual business as it is, assume that a stage in expansion will be at length reached beyond which the principle will no longer apply. The point of interest to us in the present connection is at what stage this cessation of relative economy with growing business will set in.

Suppose that it sets in before the mutual competition has become so keen as to induce amalgamation as a refuge from mutually destructive rivalry. In that case, further enlargement of operations implying a relative increase of expenses, the reasons for a cessation of the process of expansion are found by each concern in the conditions of its own business. If reasonable profits can be secured by each under these conditions, that is, if the demand be extensive enough to absorb all the production at a profit, the inducement to combine will not be found in the existence of a stimulus for each establishment to go on enlarging its operations so long as it is not prevented from doing so by actual contract with rivals. Each will be limited in its expansion by conditions arising from the circumstances of its own internal organization. Yet a merger of interests is not excluded under these conditions. Through combination, some of the management expenses, still more some of the expenses of marketing, may be

made to bear more lightly on each concern, and thus increase of profit may be secured. Further, control of the entire supply makes possible a restriction of production, and as a result, in view of the assumed conditions, a creation of monopoly profits at the expense of consumers.

In this case, what effect has the existence of an import tariff on producers and on consumers? By the conditions assumed, restriction of supply in some degree, and within certain limits, involves reduction of expenses in a greater proportion, thus yielding extra profits. If the competition of rival producers in foreign countries be excluded, the limits to the rise of price are found in the condition of maximizing monopoly profits. The admission of foreign goods, if their producers can make and send them at a price low enough to undercut the monopolists, may do no more than reduce the profits towards the level found in the ordinary run of businesses at the time, and in the country concerned. It may economize the resources of the country by providing an adequate supply of the goods in question while avoiding the exploitation of the natural facilities of the region as far beyond the point of maximum economy as would be needed if all that could yield a profit on its expenses of production were produced at home. The monopolizing of the industry economizes these resources for the needlessly great benefit of the producing interests. The same economy, but so attained as to spread the advantages among consumers, will be in the way of being secured by admitting foreign supplies.

Two variations of the conditions suggest themselves as possible. One is that foreign producers will have to meet such heavy expenses of production and transportation that they will be unable to compete with the home producers at or below the level of price corresponding to the maximum monopoly revenue. Should this be the case, tariff

duties would be merely decorative if imposed, and not—at the time—in any sense oppressive: they would be neither useful nor noxious. The other case calling for attention is that where, at the level of price corresponding to the maximum economy of production, and with a profit at a reasonable rate, foreign competitors could entirely undersell the home producers. In this case the maintenance of a home production, even in an industry whose infancy is past, must depend on the imposition of a duty high enough to permit of setting prices at the level of remunerative production. As this case merely brings up the general policy of the encouragement of industries not congenial to a country at the expense of the consumers of the goods produced, I shall not attempt to resume the arguments for and against the practice.

It will appear, then, that in the case in which the home market is large enough to permit of the expansion of several establishments in any one industry beyond the stage of maximum economy (whether at some stages in expansion increase of economy accompanies increase in the scale of operations or not) the existence of a tariff may afford an opportunity for restricting supply and raising price, for the advantage of the consolidated producers, and at the expense of consumers.

In the case just considered, it was assumed that, even in the stage of competition preceding consolidation, the separate producers had passed the scale of operations yielding maximum economy. In that case the further economies of the combination would be derived from the avoidance of duplication of some parts of the organization, and especially the economy of marketing resulting from the abolition of mutual rivalry. In the case next presenting itself, the merging of interests of rival producers may be stimulated by the keenness of a competition

dependent on each one reaching out after a reduction of expenses per unit of output by adding to the output, *i. e.,* that the rivals separately have not attained the scale of production corresponding to maximum economy. After consolidation, however, the unified business may attain and pass that scale of operations. Its profits, as compared with the case previously discussed, would be derived in part from the economies of increased specialization of function in different parts of the producing organization. Apart from this, however, the considerations adduced in the former case apply again in this instance, and no recapitulation is needed, especially as my time is limited.

The third case is that, not only in the case of the separate rival producers, but also in the case of the consolidated business formed through the merging of their interests, the scale of operations remains less than that corresponding to maximum economy. Increase of output could in this case be secured at a reduced expense per unit of product, and conversely. But the increase of the scale of operations is checked by the consideration that it is no longer possible to dispose of the increased output by displacing a part or the whole of a rival's sales, so that the enlarged output must be offered at a price low enough to evoke the demand for it in sufficient quantity, and a reduction of gain may be the result.

In such a case, what effect may be produced by the existence of a duty on imports? The exclusion of imports means that a larger market is open to the home producer. He may, conceivably, find that, with the larger market, the volume of product which yields him the greatest monopoly profit must be offered at a price as low as that of the imported product in the absence of a duty, or nearly so. The deprivation of a part of his market means

more expensive production and reduction of profit towards, perhaps below, the level of ordinary business, unfavoured by special conditions. The monopolists may be able to keep out most of the foreign goods by offering their own goods on terms involving a sacrifice of part of that profit which might be secured were the market protected. Even the threat of competition may effect a reduction of price in favor of the consumer, while leaving the producers with a rate of profit in excess of that of non-monopolized businesses.

No lengthened consideration need be devoted to the case of Trusts which arise from combining the interests of those who are engaged in different stages in the preparation of a product for final consumption. The advantages which arise from diminishing the uncertainty of suitable supplies of partly manufactured materials, or of the raw material of industry, afford a stimulus to such combinations, in addition to any monopolistic control of markets. Saving of expenses of organization, too, apart from the economy of developing particular stages of the manufacturing process on a large scale, favors such integration of industry. The general considerations previously adduced might be repeated with little change for this class of combinations, and the determination of a stimulus to combination in which the tariff was not involved might find even more important illustration than in the merging of manufacturing establishments conducting roughly parallel operations. It is unnecessary to repeat here a discussion which may be found adequately set forth in numerous monographs familiar to members of this Association. The special features of the integration of industry will, therefore, not be even summarized on this occasion.

So much is said of the Trust being the result of mutually

destructive competition that I have thought it excusable to dwell on the somewhat elementary considerations which precede, inasmuch as these considerations aid us in discriminating between the consolidations which result from the natural conditions of industrial organization, and those which aim at profit mainly through monopoly, and which are dependent on the maintenance of that monopoly on their behalf, through import duties, for their chief advantages as consolidations over their advantages as separate and rival businesses. In those cases where the economy of an increased scale of operations does not reach its limit within the capacity of the market of any one country, the tendency towards monopoly as the result of too severe competition among rivals is primarily due to natural conditions. Even here the extent of the advantage open to Trusts through an effective control of prices is, of course, largely dependent on the Tariff.

If the foregoing analysis correspond in essentials to actuality, it is not difficult to meet the assertion that Trusts cannot be produced by Tariffs because they are found in free-trading Great Britain. It should not be claimed that all Trusts are creatures of the Tariff. But it may be claimed that the extent to which Trusts can fix prices for their own gain, and to the essential disadvantage of the communities in which they operate, is dependent on the existence of, and the level of, the Tariff under which they operate. Thus we may find reason in the claim, ridiculed by many defenders of Trusts and of Protection, that though Trusts exist in free-trade England, their power for evil is comparatively small. But though the power of Trusts is thus restrained by the free admission of foreign goods, it remains far from unimportant. Under the protective shelter of the Tariff, a Trust may make a large difference between its prices

for the home market and for foreign markets. Its own products cannot come back, nor can similar products from the low-priced market in which it disposes of its surplus come in, to spoil the home market, unless double freight and duties together fall short of the difference between domestic and export prices. Where freights are more important than duties, this difference may exist because natural conditions favour its existence. Where freights are low, the difference cannot be large unless duties are heavy. It is thus that the English, though as much addicted to making special prices for export as any people, are, in the absence of duties on most commodities, restrained from maintaining extravagant differences in their quotations for home consumption and for export. A persistent attempt to push prices too high invites competition from one or another foreign country. Formerly, when foreign countries were not equipped to seize such opportunities, the margin between quotations for export and for the home market had a much less effective restraint, especially in view of the much greater hindrance offered by the high level of freight rates which prevailed in former times.

Some reference to particular examples in which Tariffs afford unreasonable opportunities for gain to syndicated producers may be fittingly introduced at this point. There springs to the mind the case of the sugar industry to which others have referred. The time available will hardly permit of a reference to the experience of Germany and other European countries under the bounty system, and the advantage which has accrued to sugar consumers through the abolition of the bounties and the restriction of the difference between import and internal revenue duties. The sugar refiners were caught in a system which forced them to sacrifice their profits, not

for the benefit of their own fellow-countrymen, but for the advantage of foreigners, and sometimes even of the customs revenue of foreign countries, where countervailing duties were levied. The destruction of the bounty system, with its reduction of import and excise duties, has benefited producers as well as consumers.

We can illustrate the effect of tariff arrangements where production is practically controlled by a small group of capitalists from the condition of the sugar refining industry in Canada and in the United States at the present time. Let us take the case of Canada first. There, before the new tariff was presented to the House of Commons a month ago, the duties on sugar were as follows, calculated on sugar at 96°: on raw sugar 71½ cents per 100 lbs., on refined $1.20 per 100 lbs., with 1½ cents per 100 lbs. in each case for each advance of one degree. These rates were subject to a reduction of one-third under the British preferential tariff. In the year 1905-6 the raw sugar entered for consumption was 344,000,000 lbs. under the British preference and 76,000,000 lbs. subject to the general tariff. Assume for the present that the price-level, both for raw and for refined sugars, was practically fixed by import prices under the preference. Refined sugar at 96° is charged, under the preference, 32 1-3 cents per 100 lbs. more than raw sugar at 96°. Not to risk exaggeration, we will make the allowance claimed by the representatives of the industry, and assume that 108 lbs. of raw sugar at 96° is needed to yield 100 lbs. of refined sugar.[1] But these 100 lbs. of

[1] On the subject of this allowance, see *Report of the Industrial Commission,* Vol. I, pp. 93-94, testimony of Mr. Claus Doscher; and the Montreal *Star* for Dec. 3rd, 1906, in an interview with Mr. E. W. Parker, Secretary of the Canada Sugar Refinery. It will be noted that our calculation claims nothing for the protective effect of freight

refined we shall take at 99.5°, and, on this basis, the differential taxation works out at a small fraction over 32 cents per 100 lbs. of refined sugar. The sum represented by the lower taxation of raw sugar in comparison with refined was, in 1905-6, in excess of $1,000,000. The census report of 1900 shows that the sugar refining industry then paid out in wages the sum of $612,680, the wage-earners numbering 1200. If the number of persons employed be assumed to be 50 per cent. greater now than at the date of the census, and their wages greater in the same proportion, the present number of wage-earners would be 1800, and the wages about $920,000. The assumed increase in five years corresponds roughly with the increase in raw sugar imported. It would thus appear that the differential duty on refined sugar represents a sum amply sufficient to pay the wages-bill of the sugar refiners, even if allowance be made for some raw sugar not being converted into refined. What a remarkable benefit to the country is an industry, the organization of which lacks the power to compete with foreign industries in so great a degree that it needs encouragement represented by the entire amount of its wages-bill to enable it to survive! And even if it be argued that our comparison has left out of account any increase of wages per head in recent years, a suitable allowance in that matter would still leave the case substantially as strong as before. Of course the employees in the sugar refineries are not so inefficient compared with European competitors as not to earn any part of their wages. The popular impression

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charges. British refined has borne freight from the West Indies to Great Britain as raw sugar, and thence to Canada as refined, while sugar refined in Canada has borne only the freight from (say) the West Indies to Canada. The effective protection may be nearly as great from this cause as from the customs duties.

that the small group of persons interested in sugar refining are prospering at the expense of the nation seems not to lack justification.

The change in the Tariff proposed by the Canadian Minister of Finance is to advance the duty on raw sugar while leaving that on refined unchanged. The differential, on sugar at 96°, will be reduced to 25 cents per 100 lbs., or, on the modified basis previously explained, 24.1 cents per 100 lbs. of refined sugar. The aggregate amount represented, calculated as before on the basis of last year's importation, is reduced to about $800,000. This reduced advantage still represents not far from $450 per head of the 1800 wage-earners, as the sacrifice by the nation for the sake of providing the employment in question. It is not a sacrifice for the sake of establishing a new industry, and fostering it during the struggles of its infancy. The industry has had substantial tariff assistance for a lengthened period. Were the sugar duty merely a revenue duty, and were the country to import all its sugar in the refined state, it can hardly be doubted that it would gain financially even if it assumed the burden of pensioning all the wage-earners now employed in sugar-refining. It can hardly be contended that the capital which has been devoted to this industry could not have found remunerative employment in developing some of the rich natural resources of the Dominion, while the salaried staff, representing the interest neglected on the above account, might not improbably be needed to conduct the mercantile operations of distributing imported refined sugar. It is not to be assumed, however, that with the abolition of the differential duty the industry of sugar refining would be destroyed. It is only suggested that, if it were, the consumers and producers concerned might not be losers, except in so far as monopoly

gains on the capital employed are assured by the present mode of taxation.

As to prices, the average selling price of granulated sugar in Montreal during the fiscal year 1905-6 was $4.39 per 100 lbs., or, deducting the trade discount of 5 per cent., $4.17. As a standard of value for British refined sugar, we may take the quotations of Tate's standard granulated for comparison. Deducting the duty of 4 s. 2 d. per cwt. to obtain the value for export, and reducing to American currency, this averages $2.77 per 100 lbs. in the period named. Adding to this the Canadian duty on sugar at 100°, we have $3.61 per 100 lbs., to which shipping charges from Great Britain have also to be added. Even after allowing for the fact that Tate's quotation is of sugar refined from the beet product, while, to secure admission to Canada at preferential rates of duty, British colonial sugar must be used as raw material, and its cost is somewhat greater than that of beet sugar, the comparison makes it appear that the price of refined has not been made lower in Canada than competition compelled. Even if the claim of the refineries that they paid higher prices than those of the New York market to the West Indian sugar planters be admitted, they do not claim to have conceded more than about one-half of the differential, and the figures given above would still leave food for reflection as to the expense of maintaining the home industry of sugar refining.[2]

[2] The valuation of raw sugar imported at preferential rates of duty in 1905-6 averaged $2.17 per 100 lbs. This is supposed to represent the value at the place from which it is shipped. The comparison with U. S. figures month by month shows some remarkable contrasts. For the last half of 1905, the Canadian average was $2.65, while the U. S. average for Cuban sugar was $2.35. For the first half of 1906, the Canadian average was $1.84, the U. S. figure $2.08, the averages for the whole year being substantially identical for the two

The case of the same industry in the United States is somewhat similar, and the corresponding data may be briefly reviewed. Basing the calculation on Cuban sugar, which constituted fully two-thirds of the raw sugar imported from foreign countries last year, the import duty is $1.348 per 100 lbs., or $1.456 per 108 lbs. The duty on refined, in which Cuba does not compete, is $1.95 per 100 lbs. The differential in favor of home refining is thus 49.4 cents per 100 lbs. If we take the duty on ordinary foreign sugar in place of that on Cuban raw sugar, the differential is only 13 cents per 100 lbs. of refined, or 12 cents per 100 lbs. of raw sugar, if we allow, as before, 108 lbs. of raw sugar to 100 lbs. of refined. Ignoring any advantage derived from the differential in respect of Hawaiian and Porto Rican sugar, refined in the United States, which represents nearly one-quarter of the total imported raw sugar, the 12 cents per 100 lbs. of raw sugar represents over $4,750,000 on the raw sugar imported from foreign countries in the fiscal year 1905-6. If it be supposed that the differential taxation of raw and refined represents equal advantage on sugar from non-contiguous territory to that on foreign sugar, then the aggregate sum involved will exceed $6,000,000. If, further, the Cuban preferential duty, in part or as a whole, accrues to the United States refiners in lower expenses, a further sum of over $9,000,000 is available, from which to add to the profits of the Sugar Trust. This last is the amount accruing jointly to sugar producers in Cuba and

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cases. Adding, to the above figure of apparent cost of the raw sugar, the Canadian duty and shipping charges (20 cents per 100 lbs. being allowed for the latter), we find $2.90 as the cost of the raw sugar to refiners in Canada in 1905-6. The margin for refining is thus $1.27 per 100 lbs., or, on the modified basis explained above, $1.04 per 100 lbs. of refined sugar. (Cf. figures for U. S. and Great Britain on a later page.)

sugar refiners in the United States as the outcome of the reciprocity arrangement.[3]

Referring to the reports of the Census of 1900, we find that the industry of refining cane-sugar and molasses employed 14,252 wage-earners and paid rather less than $7,000,000 in wages in that year. The differential taxation of raw and refined in 1905-6, therefore, represents a sum probably not less than the entire wages-bill of the United States sugar refineries in the Census year. Estimating the growth in wage-earners since that year at one-third, and allowing for a substantial increase in rates of wages, it means well over the half of the wages-bill of the present time, even leaving practically out of account whatever advantage in purchasing raw sugar may be derived from the 20 per cent. rebate of duty on Cuban sugars. That the consumer does not secure the advantage may be regarded as probable in view of the figures cited above as to the recent price level of granulated sugar in London. The New York prices of centrifugals and of standard granulated averaged $3.61 and $4.53 per 100 lbs. in the fiscal year 1905-6. The London prices have averaged as follows: Cuba centrifugals, $2.13 duty-free, or $2.92 with the duty; and standard granulated $3.67 per 100 lbs. The margin to cover the expenses of refining in the United States is thus 92 cents per 100 lbs., while the London margin is 75 cents per 100 lbs. Comparing the values of 108 lbs. of raw sugar and 100 lbs. of refined, the margins are 63 and 52 cents respectively. Here, again, the facts adduced suggest that the consumer has been mulcted of about all that the situation permitted.

[3] The Cuban exporter may secure the advantage of the rebate, while the planter gains little. In so far as the exporting merchant represents Sugar Trust interests, the division of advantage between exporter and importer has little importance.

For the sake of employing (say) 18,000 persons, a sum which we have estimated at something over $6,000,000, and which may exceed $9,000,000 without extravagant assumptions as to the division of the benefit of the Cuban reciprocity duty, is diverted from the Federal Treasury into the coffers of the small but powerful group of capitalists interested in sugar refining. Is the country satisfied to provide dividends on Trust capital, generously watered, in this way?

This case of sugar might afford a suitable opportunity for comment on another aspect of the relations between Tariffs and Trusts, namely, the influence, whether legitimately or corruptly exercised, of powerful protected monopolies in shaping the Tariff to serve their own ends. Possibly the evil of this phase of the relations under consideration is more serious than the merely financial results to which attention has been directed. A further point of no little importance is the danger that one of the results of the formation of great Trusts may be to lead industrial organisers to frame their policies with a view to their effect on the stock market, rather than with reference to their industrial efficiency. I refrain from enlarging upon these matters here, especially as I anticipate that others, more intimately acquainted with the facts than I am, will select them for discussion in the course of the afternoon.

Reference may appropriately be made in this connection to a device of the Canadian tariff by which it is expected to impose some restraint on the oppression of consumers by combinations which have attained a monopolistic status. The practical working of the plan was seen in the case of the manufacturers of news printing paper, who put up the price of this important material. The executive government, early in 1902, on obtaining satisfactory proof of the facts, reduced the duty from 25 per cent.

ad valorem to 15 per cent. This reduction has been maintained in the new tariff, and the facilities for applying similar treatment to other cases, of the abuse of monopoly powers which depend on combination, have been increased. The Minister of Finance, in introducing the new tariff, made it understood that the utility of the provision had not been confined to the case of actual change of the import duty. Fear of similar punishment has, he believed, restrained other monopolists from pushing their powers too far.

The influence of powerful Trusts in securing the maintenance of import duties when the industry concerned has attained sufficient strength to compete on even advantageous terms with foreigners finds much illustration in the actual facts of to-day and in the United States. A familiar and much discussed case is that of the iron and steel industries, in which a gigantic Trust, sometimes claimed as the greatest in the history of the world, dominates the situation. Here the special efficiency of American industrial methods finds its most conspicuous illustrations. But it may be asked if the consumers of iron and steel are permitted to secure their proper share of the results of this efficiency. Have not the organizers of the Trust pre-empted, if one may use the term, the advantages of the situation? It being possible to maintain prices at an advantageous level if competition can be sufficiently controlled, has not the Trust afforded an instrument by which its organizers, rather than users of its products, may profit from technical progress? Is not the notorious inflation of the capital account of the Trust the result of the exercise of its powers?

In view of the boasts over the efficiency of American methods in producing and in handling iron and steel, may one not be pardoned for expressing some surprise at the

results as reflected in the course of prices of typical products?

I am aware that the Bulletin of the American Iron and Steel Asociation has given tables meant to demonstrate that American prices have fallen, when compared with British quotations. The careful and unprejudiced tracing of the course of prices as given in the published quotations of recognized authorities hardly supports this conclusion of the Bulletin. The *Economist* of London affords prices for Bessemer pig iron in England, while the reports of the Bureau of Labor contain quotations for Bessemer pig at Pittsburg.[4] Between the years 1891-5 and the years 1901-5, the average price at Pittsburg has not got any closer to that at Middlesborough, either absolutely or relatively. A similar abatement holds of bar iron.[4] A special point is made of the steadiness with which the price of steel rails has been held at $28.00 for five years past. The average for the years 1891-95 was but a few cents higher than this. But the average price of steel rails in the north of England only slightly exceeded $25.00 in the five years 1901-5, and has been considerably lower, while it has not been above the American price from the middle of 1901 to the beginning of the current year. As compared with the early nineties, the British price of steel rails has been higher for each of the last ten years. Here, then, we have a case in which the Trust has fixed a price lower than if the course of prices in such a country as England had been paralleled, and lower than that which has prevailed in England throughout the current year. But in England, during the last twenty years, prices have been below the twenty-eight-dollar level, except from the middle of 1899 to the middle of 1901 and since the beginning of 1906.

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[4] For details of prices see Appendix.

We find, then, that pig iron and bar iron have fluctuated in cost in America more violently and more continuously than in England, and that their prices have not approached closer to English quotations. In steel rails steadiness has been secured, and steadiness at a price which compares favorably with that of previous years when the changes of price-level in England are considered. But, in spite of the advantages in the manufacture of steel possessed by the Pittsburg district, the British rails have been placed on the market at a lower price than the American from the date on which the present price was established by the Trust till the current year opened. From the middle of 1897 till well into 1899, American quotations for steel rails were well below the English quotations, so that the present situation is not without precedent. Even the case of steel-rail-prices hardly affords a convincing demonstration that the advantages of American ingenuity and efficiency are allowed to reach the consumer as fully as might happen in the absence of the Trust. And the impression produced on the public by the fairly well supported demonstration of the readiness of the Trust to avail itself of the Tariff in order to avoid conceding to the home market prices low enough to evoke a demand for the entire available output is not to be ignored. The difference between export prices and domestic prices, as has been pointed out above, can be as great as a double freight and the import duty combined. Were there no import duty, sales at special rates might still be made for export, but in that case the attempt to dispose of a larger share of the product at home, by suitable concession in the price, might be a more probable alternative. The usefulness of the tariff, in permitting the maintenance of prices at an inflated level from time to time may be illustrated

from the price-records of pig iron and of bar iron in 1902 and 1903.[5] The concession of a steady and moderate price for steel rails does not suffice to demonstrate the beneficial, or even the harmless, nature of the quasi-monopolistic power of a great Trust, secured from the most dangerous kind of competition by a tariff with rates of duty suited rather for the encouragement of an infant industry than for the case of the most powerful producers of iron and steel in any country at any time.

[5] See Appendix.

APPENDIX.

AVERAGE ANNUAL PRICES OF IRON AND STEEL PRODUCTS.

	Pig Iron		Iron Bars		Steel Rails	
	Hematite at Middlesboro	Bessemer at Pittsburg	Cleveland	Pittsburg	Welsh Ports	Penna.
Year	per ton		per 100 lbs.		per ton	
1894	$10.58	$11.38	$1.08	$1.34	$17.95	$24.00
1895	10.68	12.72	1.05	1.44	18.40	24.33
1896	11.21	12.14	1.09	1.40	22.51	28.00
1897	12.13	10.12	1.14	1.31	22.05	18.75
1898	12.54	10.33	1.17	1.28	22.05	17.62
1899	15.97	19.03	1.50	2.07	26.22	28.12
1900	19.27	19.49	2.03	1.96	35.28	32.29
1901	14.32	15.93	1.48	1.84	27.37	27.33
1902	14.43	20.67	1.35	2.13	26.46	28.00
1903	13.68	18.97	1.39	2.00	26.31	28.00
1904	12.26	13.75	1.33	1.72	21.60	28.00
1905	14.84	16.36	1.37	1.92	24.94	28.00
1906	16.68	19.63	1.56	1.71	31.02	28.00

British prices are quarterly averages, American prices are monthly averages.